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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/505,947	02/15/2000	Robert P. Krause	Krause-01	5610

7590 04/16/2003

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EXAMINER

KARMIS, STEFANOS

ART UNIT PAPER NUMBER

3624

DATE MAILED: 04/16/2003

Please find below and/or attached an Office communication concerning this application or proceeding.

**Office Action Summary**

Application No.

09/505,947

Applicant(s)

KRAUSE, ROBERT P.

Examiner

Stefano Karmis

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --  
Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

**Status**

- 1) ☒ Responsive to communication(s) filed on 2/15/2000.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

**Disposition of Claims**

- 4) ☒ Claim(s) 1-19 is/are pending in the application.
- 4a) Of the above claim(s) 1-13 is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 14-19 is/are rejected.
- 7) ☒ Claim(s) 15, 17, 19 is/are objected to.
- 8) ☒ Claim(s) 1-13 are subject to restriction and/or election requirement.

**Application Papers**

- 9) ☒ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
- Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
- 11) ☐ The proposed drawing correction filed on \_\_\_\_\_ is: a) ☐ approved b) ☐ disapproved by the Examiner.
- If approved, corrected drawings are required in reply to this Office action.
- 12) ☐ The oath or declaration is objected to by the Examiner.

**Priority under 35 U.S.C. §§ 119 and 120**

- 13) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some \* c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
  - ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- \* See the attached detailed Office action for a list of the certified copies not received.
- 14) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. § 119(e) (to a provisional application).
- a) ☐ The translation of the foreign language provisional application has been received.
- 15) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. §§ 120 and/or 121.

**Attachment(s)**

- ☒ Notice of References Cited (PTO-892)
- ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- ☐ Information Disclosure Statement(s) (PTO-1449) Paper No(s) \_\_\_\_\_
- ☐ Interview Summary (PTO-413) Paper No(s). \_\_\_\_\_
- ☐ Notice of Informal Patent Application (PTO-152)
- ☐ Other: \_\_\_\_\_

### DETAILED ACTION

The following application has been reviewed. Original claims 1-19 are pending. The objections and rejections are as stated below:

#### *Election/Restrictions*

1. Restriction to one of the following inventions is required under 35 U.S.C. 121:
  - I. Claims 1-13 are drawn to a financial instrument based upon the volatility in the actual returns of an underlying for planning and analysis, classified in class 705, subclass 36.
  - II. Claims 14-19 are drawn to a method for trading financial instruments, classified in class 705, subclass 37.
2. Inventions I and II are related as subcombinations disclosed as usable together in a single combination. The subcombinations are distinct from each other if they are shown to be separately usable. In the instant case, invention II has separate utility such as the trading of a financial instrument. See MPEP § 806.05(d).
3. During a telephone conversation with Attorney Mitchell A. Stein on April 14, 2003, a provision election was made with traverse to prosecute the invention of group II, claims 14-19 (a method for trading financial instruments based on volatility). Affirmation of this election must be made by Applicant in responding to this Office Action. Claims 1-13 are withdrawn from further consideration by the Examiner, 37 CFR 1.142(b), as being drawn to a non-elected

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invention. Applicant is respectfully requested to cancel claims 1-13 in response to this Office Action.

4. Because these inventions are distinct for the reasons given above and have acquired a separate status in the art as shown by their different classification, restriction for examination purposes as indicated is proper.

### *Specification*

1. The abstract of the disclosure is objected to because it exceeds the limit, which is one paragraph on one page. Correction is required. See MPEP § 608.01(b).
2. Applicant is reminded of the proper language and format for an abstract of the disclosure.

The abstract should be in narrative form and generally limited to a single paragraph on a separate sheet within the range of 50 to 150 words. It is important that the abstract not exceed 150 words in length since the space provided for the abstract on the computer tape used by the printer is limited. The form and legal phraseology often used in patent claims, such as "means" and "said," should be avoided. The abstract should describe the disclosure sufficiently to assist readers in deciding whether there is a need for consulting the full patent text for details.

The language should be clear and concise and should not repeat information given in the title. It should avoid using phrases which can be implied, such as, "The disclosure concerns," "The disclosure defined by this invention," "The disclosure describes," etc.

***Claim Rejections - 35 USC § 112***

1. The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

2. Claim 18 is rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

Claim 18 is not sufficiently precise due to combining two separate statutory classes of invention in a single claim. The preamble of the claim refers to a system, but the body of the claim discusses the specifics of a method.

***Claim Rejections - 35 USC § 101***

3. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

4. Claims 14, 16 and 18 are rejected under 35 U.S.C. 101 because the claimed invention is directed to a non-statutory subject matter. Specifically the claims are directed towards an abstract idea.

Claims 14 and 16 represent an abstract idea that does not provide a practical application in the technological arts. There is no manipulation of data nor is there any transformation of data from one state to another being performed in "Financial instruments, system, and exchanges (financial, stock, option and commodity) based upon realized volatility." *In re Ex parte*

*Bowman*, 61 USPQ 2d 1669 (not until the concept is reduced to some type of practical application, the subject matter is not entitled to patent protection).

Claim 18, 35 U.S.C. 101 requires that in order to be patentable the invention must be a “new and useful process, machine, manufacture, *or* composition of matter, *or* any new and useful improvement thereof” (emphasis added). Applicant’s claim mentioned above, are intended to embrace or overlap *two* different statutory classes of inventions as set forth in 35 U.S.C. 101. The claim begins by discussing a system (ex. Preamble of claim 18), the body of the claim discusses the specifics of the method of financial instrument (the steps) to perform aspects of the financial instrument (see above rejection of claim under 35 U.S.C. 112, second paragraph, for specific details regarding the issue). “A claim of this type is precluded by the express language of 35 U.S.C. 101 which is drafted so as to set forth the statutory classes of invention in the alternative only,” *Ex parte Lyell*, 17 USPQ 2d 1548.

#### ***Allowable Subject Matter***

5. Claims 15, 17 and 19 are objected to as being dependent upon a rejected base claim, but would be allowable if rewritten in independent form including all of the limitations of the base claim and any intervening claims.

#### ***Claim Rejections - 35 USC § 102***

6. The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

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A person shall be entitled to a patent unless –

(e) the invention was described in (1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) shall have the effects for purposes of this subsection of an application filed in the United States only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language.

7. Claims 14, 16 and 18 are rejected under 35 U.S.C. 102(e) as being clearly anticipated by Lange U.S. Patent 6,321,212.

Claims 14 and 16, at least one volatility contract for a predetermined term is disclosed using a predetermined formula for settlement price, taking volatility into consideration. The contract can then be traded at the end expiration date (column 37 line12 thru column 38 line 62).

Claim 18, a volatility contract which has a predetermined volatility period, a predetermined time during a trading period to take observations, an annualization factor and a formula for calculation (column 37 line12 thru column 38 line 62). Listing the contract on an exchange and trading the contract during an anticipatory period and setting the contract at expiration with the formula (column 36 line 38 thru column 37 line 65).

### *Conclusion*

8. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

a) Daughtery III, US Patent 6,263,321, Jul. 17, 2001. Apparatus and process for calculating an option.

b) O'Shaughnessy, US Patent 6,317,726, Nov. 13, 2001. Automated strategies for investment management.

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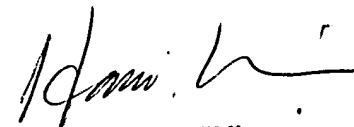
- c) Li, US Patent 6,453,303, Sep. 17, 2002. Automated analysis for financial assets.
- d) Pilipovic, US Patent 6,456,982, Sep. 24, 2002. Computer system for generating projected data and an application supporting a financial transaction.
- e) Phillips et al., US Patent 6,473,084, Oct. 29, 2002. Prediction input.

9. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Stefano Karmis whose telephone number is (703) 305-8130. The examiner can normally be reached on M-F: 8-5.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Vincent Millin can be reached on (703) 308-1065. The fax phone numbers for the organization where this application or proceeding is assigned are (703) 305-7687 for regular communications and for After Final communications.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is (703) 306-1113.

Respectfully Submitted  
Stefano Karmis  
April 14, 2003

  
**HANI M. KAZIMI**  
**PRIMARY EXAMINER**